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# Check Tax Liability Before Getting Excited Over Overseas Deputation

Expert Take

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Overseas deputation holds fascination for many since it comes with an opportunity to visit an overseas country and experience its culture, and, most important of all, considerable cash savings. While we prepare ourselves for challenges at the work front, we quite often overlook the challenges from the personal tax front. Overseas deputation comes with tax implications in both the countries at the time of exit and return, which need to be well thought out before taking the flight.

**PLAN THE TIMING OF YOUR OVERSEAS DEPUTATION:** Tax residency and consequently the charge of tax depends on the number of days of stay in India, both during the financial year concerned and the earlier years. Therefore, the type of assignment, i.e, short-term or long-term, and the timing of the assignment becomes an important factor.

**SHORT-TERM ASSIGNMENT:** In the case of a short-term assignment (typically three months to one year), you will receive salary in India along with an assignment allowance overseas. For a first-time traveller, if your stay in India exceeds 60 days, you will qualify as a resident and your global income, including the assignment allowance, will become taxable in India.

**LONG-TERM ASSIGNMENT:** In the case of a long-term assignment (typically for a period of one to three years), you are transferred to the overseas country's payroll. For a first-time traveler, if your stay in India exceeds 182 days, you would qualify again as a resident in the year of transfer. Consequently, your worldwide income, namely the employment income earned overseas, becomes taxable in India.

Conversely, if your stay in the year of transfer is less than 182 days, then you will qualify as a non-resident and you would be liable to pay tax only on the income received/sourced in India. Therefore, timing of the overseas deputation is key to keep tax matters simple.

However, till you qualify as a resident of India, you can claim a credit for the taxes paid overseas in your India tax return.

**DON'T FORGET YOUR TAX LIABILITIES IN INDIA:** Irrespective of your residential status, you will be liable to pay tax and file tax return if you have any India-sourced income — from house property, for instance — which is above the basic exemption limit.

**DOUBLE TAX AVOIDANCE AGREEMENT:** Not all taxes paid abroad are allowed as credit. It all depends upon the Double Tax Avoidance Agreement Treaty India has entered into with foreign countries. If you are transferred to the US, for example, the treaty allows credit to be taken only for the federal tax liability and not the state tax liability.

In case of a short-term as-

signment, if your stay is for less than 183 days, you may explore the possibility of claiming 'short stays exemption' under the 'dependent personnel services" clause of the specific DTAA.

**COMPLY WITH ALL RULES:** In case you have gone on a long-term assignment, you would need to comply with all the regulatory obligation in the overseas country, like obtaining a tax identification number, paying taxes and filing a tax return.

Therefore, before jumping on to that overseas deputation opportunity, it would help to do a little homework to check if will be left with any cash savings at all due to the overall tax obligation and other factors (like social security, cost of living, etc.)!



 